

From	Karvy Data Management Services Ltd.
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Subject	Applicability of IGST on goods transferred / sold while being deposited in a registered warehouse
Category	Circular
Reference	Circular No: 46/2017-Customs dated 24 th November 2017
Series	Karvy/GST/26

In a yet another measure to rationalise the procedure of trade in GST regime by the Ministry of Finance, Central Board of Excise & Customs has issued a circular to clarify the applicability of Integrated Tax (IGST) on sale of goods while being deposited in a registered warehouse.

Below mentioned is the gist of the circular issued by CBEC:

Procedure under the Customs Act 1962:

- ✓ Goods imported in India can be deposited into a customs bonded warehouse licensed u/s 57 or 58 or 58A of the Customs Act 1962 without payment of duty – Ch IX of Customs Act 1962
- ✓ The importer is at liberty to transfer the ownership of such goods to another person while it is deposited in the bonded warehouse – Sec. 59(5) of the Customs Act 1962
- ✓ Value of such imported goods for the purpose of charging customs duty is determined at the time of import i.e. at the time of filing into-bond Bill of Entry – Sec. 14 of the Customs Act 1962
- ✓ Any additional costs incurred after the import of goods (e.g. port charges, port demurrage charges etc.) cannot be added to the value of goods for the purpose of charging customs duty at the stage of ex-bonding
- ✓ The rate of duty / tariff valuation for an ex-bond Bill of Entry shall be the date on which it is filled – Sec. 15(1) of the Customs Act 1962

Essence of the above procedure: Duties of customs (BCD+IGST) shall be paid on the imported goods at the stage of ex-bonding on the value determined under Sec. 14 of the Customs Act 1962

Procedure under GST regime:

- ✓ Sale / transfer of the warehouse goods between the importer and any other person may be at a price higher than the assessable value, falling within the definition of "SUPPLY" – Sec. 7 of CGST Act 2017
- ✓ Such transaction of sale / transfer shall be taxable under GST – Sec. 9 of CGST Act 2017 & Sec. 20 of IGST Act 2017
- ✓ Any supply of imported goods before it crosses the customs frontier of India, shall be treated as interstate supply and will be subject to IGST – Sec. 7(2) of IGST Act 2017
- ✓ Value of such supply shall be determined as per Section 15 of CGST Act 2017 read with Section 20 of IGST Act 2017, without prejudice to the fact that (BCD+IGST) applicable under the Customs Tariff Act will be levied and collected at the ex-bond stage of such goods

Essence of the above procedure: Sale / transfer of goods while being stored in the bonded warehouse before its clearance, by the importer to another person results in dual taxable event. Firstly, (BCD+IGST) shall be paid on the imported goods at the stage of ex-bonding. Secondly, IGST shall be levied and paid on the event of Supply (sale / transfer).

Note: So long as the goods remains deposited in the bonded warehouse, customs duties (BCD + IGST) to be collected shall remain deferred.

Below mentioned illustration narrates the flow above procedures:

Goods imported by "A" on 2nd July, 2017. Importer wants to deposit the goods in a bonded warehouse to defer duty

Importer files an "into bond bill of entry" and the goods are deposited in bonded warehouse. (BCD+IGST gets deferred)

Value of goods=₹100; BCD 10%; IGST 12%. Therefore duty deferred = ₹ 23.20 [BCD (10% of 100) + IGST (12% of 100+10)]

"A" sells the goods to "B" on 21st July, 2017 for ₹300 and charges IGST of ₹ 36(@ 12%). Payment and filling of the return under GST for the same should be done by 20th August, 2017

"B" files an EX-bond Bill of entry on 25th September, 2017 and pays ₹23.20 (deferred duty). [In addition to ₹36 paid as IGST earlier as indicated above.

We have attached copy of Circular No. **46/2017-Customs dated 24th November 2017 dated 11th Nov 2017** along with this knowledge sharing article for your reference.

About KARVY DATA MANAGEMENT SERVICES LTD.

Karvy Data Management Services Limited (KDMSL), a GST Suvidha Provider which has developed ASP Solution for easing GST compliance for tax payers. Easy to use interfaces are made available at the disposal of the tax payers to simplify their compliances in terms of dashboards, MIS, returns, payments, refunds and other compliance process. So, 'HELP US HELP YOU' we offer following services for GST - GSP & ASP Services (on cloud or on premises) with ERP Integration and Vendor Management Solution. We also offer managed services for Outsourced GST Compliance which will take care of end to end compliances.

In India, GST Team of KDMSL are located in following cities: Hyderabad, Mumbai, Bangalore, New Delhi and Kolkata. For more information about KDMSL service offerings, visit www.karvygst.com.

You may also reach out to us @ gstcompliance@karvy.com should you have any query on the content of this article.

Below are the co-ordinates of our representatives from GST Team across India:

Hyderabad: Mr. Vamsi Krishna Pothukuchi (8378976769) & Mr. Dipak Tiwary (9823741187)

Mumbai: Mr. Avdhesh Heda (9130561253)

Bangalore: Mr. Vamsi Krishna Pothukuchi (8378976769)

New Delhi: Ms. Priyanka Mathur (9953563996)

Kolkata: Ms. Ishika Agrawal (8820253344) & Mr. Vijay Kumar Gupta (9339355647)

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